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Real Estate ALERT

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

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Holliday Tops Office Ranking as Sales Revive

The first half saw an uptick in the sale of large office properties — and a shuffling of the usual pecking order of brokerages.

Some $10 billion of properties changed hands from January to June, more than double the $4.4 billion total a year earlier, according to **Real Estate Alert's** Deal Database, which tracks sales of at least $25 million. But while the tally demonstrated signs of life in what had been a frozen sales market, the activity was still a far cry from the levels before the market crash.

Holliday Fenoglio Fowler was the most-active brokerage, in something of an upset. **CB Richard Ellis, Eastdil Secured** and **Cushman & Wakefield** have traditionally captured the Top 3 spots, sometimes changing positions among themselves. But while Eastdil finished second in the first half, Cushman slipped to fifth place and defending champ CB fell to sixth.

HFF's victory was propelled by one giant transaction: **Dividend Capital's** $1.3 billion

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Lightstone Recruits Pro to Lead Buying Spree

Lightstone Group, which took some big hits in the market downturn, is gearing up to start buying again.

The New York firm has hired former **Morgan Stanley** and **Credit Suisse** executive **Arvind Bajaj** to oversee the investment of up to $400 million of equity in distressed assets and troubled companies. Factoring in leverage, Lightstone hopes to amass $1 billion of assets over 18 months.

Some of the equity will come from Lightstone Value Plus REIT 2, a nontraded public REIT that is seeking to raise $510 million, as well as its $300 million predecessor, which was launched four years ago. In some transactions, partners would kick in capital.

Lightstone, which was founded in 1988 by **David Lichtenstein,** plans to buy distressed properties and mortgages. It will also look for opportunities to take controlling stakes in properties by providing "rescue capital" to cash-starved owners

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Walton Street Shops Stake in DC Apartments

A **Walton Street Capital** partnership is looking to recapitalize a new luxury apartment building in Washington that has an estimated value of at least $200 million.

The property, at 145 N Street NE, encompasses 440 units that were just completed, a 50,000-square-foot Harris Teeter supermarket and a planned 175-unit extension. It is part of the massive Constitution Square mixed-use project being developed by fund shop Walton Street and its partner, **StonebridgeCarras** of Bethesda, Md.

The 13-story apartment building, called Flats 130 at Constitution Square, is in its initial leasing phase. The Walton Street team is pitching the offering as a recapitalization, with the size of the stake to be sold open to negotiation. But the partnership evidently is also willing to consider an outright sale. **Holliday Fenoglio Fowler** is advising the owner.

The units have luxury amenities, including granite countertops, balconies and

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THE GRAPEVINE

SL Green Realty, TIAA-CREF and **Vornado Realty** are the leading candidates to buy the 634,000-square-foot Pfizer Building, at 685 Third Avenue in Midtown Manhattan. Others that have bid include **George Comfort & Sons, L&L Acquisitions, Murray Hill Properties** and **Shorenstein Properties.** Some of those players may have teamed up on offers. Final bids are thought to be in the neighborhood of $165 million, or $260/sf. A winner could be selected this week. A buyer would likely spend about $100/sf on renovations and tenant improvements. **CB Richard Ellis** is advising **Pfizer,** which bought the building in 2003 from **California State Teachers** for $250 million.

Veteran broker **Denny St. Romain** joined **Jones Lang LaSalle's** Miami office last week as a managing director. He will set

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Arizona Land Rebound Gains Speed

Surging investor appetite for residential land in Arizona is driving pricing expectations higher than imagined just a few months ago.

Lloyds Banking has tapped **CB Richard Ellis** to market the 7,000-acre Festival Ranch in Buckeye, Ariz., some 50 miles west of downtown Phoenix. The land is being offered essentially "raw," with very few improvements.

When the bank took control of the property from Phoenix developer **Lyle Anderson Cos.** in January, land players pegged the market value at about $5,000 per acre, or $35 million. Now, though, they expect Festival Ranch will fetch at least $10,000/acre, or $70 million. And some say it's not inconceivable that bidding could reach $15,000/acre, or $105 million.

Why the sudden reassessment? Because a growing number of investors are targeting the market. Hedge funds are the latest players to enter the fray. Earlier this year, institutional funds and the big national homebuilders returned. The homebuilders have been looking to reload their inventories after dumping much of their holdings when the housing and economic crises struck. Things got so bad that at the bottom of the market that developers were assigning negative values to land.

Festival Ranch was one of six parcels that Lyle Anderson used to secure a $1 billion loan from **Bank of Scotland** at the top of the market. The bank, now a unit of Lloyds Banking, took control of all six properties at the beginning of the year. Potentially the most valuable property in the portfolio is Hokulia, a planned 660-lot development in Hawaii. **Starwood Capital** and **Brookfield Asset Management** are among the investors circling the Hawaii property, which will likely fetch at least $100 million. It was valued at $600 million before the market downturn.

Festival Ranch is zoned for up to 14,000 housing units, though market players believe a new builder would likely scale back the plan to no more than 10,000 single-family homes. The property also has approvals for 5 million square feet of commercial space, 1,000 hotel rooms and multiple golf courses. ❖

Luxury Rentals Near Dallas on Block

Apartment operator **Nolan Real Estate Services** is shopping a 730-unit property in Plano, Texas, that comes with a large piece of assumable financing.

The Giovanna apartments are expected to fetch around $50 million, or $68,500/unit. A buyer could assume a $41.3 million interest-only mortgage. At the estimated value, the loan-to-value ratio would be north of 80% — well above the LTVs **Fannie Mae** and **Freddie Mac** are approving these days.

The luxury property is 95% occupied. At the expected sale price, the initial annual yield would be just over 6%. Nolan, of Overland Park, Kan., gave the listing to **CB Richard Ellis.**

In 2004, Nolan acquired the property from **Pritzker Residential** of Atlanta for $46.7 million, or $66,000/unit. The 5.3% mortgage, originated by French insurer **Allianz,** matures in 2015.

The garden-style complex, about 30 miles north of downtown Dallas, was built by apartment developer **JPI** of Irving, Texas, between 1996 and 1998. Amenities include four swimming pools, a spa and private garages for many of the units. ❖

INVESTMENT VEHICLES

San Francisco System Backs 2 Funds

San Francisco Employees made separate $25 million pledges to two opportunity funds last week. The vehicles are sponsored by **Bristol Group** of San Francisco and **Harrison Street Real Estate Capital** of Chicago. Bristol's diversified property fund, Bristol Value 2, is seeking to raise $250 million of equity overall. A first close is expected by Sept. 30. The fund, headed by managing partners **Jim Curis** and **Jeff Kott,** will seek a 14-18% return. Harrison Street's vehicle, Harrison Street Real Estate Partners 3, has a $500 million goal. There were $165 million of pledges at the first close last month. A second close is expected this summer. The fund, headed by company founder **Christopher Merrill,** seeks an 18% return by buying and developing properties in niche sectors. ❖